Motives for the Internationalization of Private Small and Medium-sized Enterprises in Guangdong China

By

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Statement of Original Authorship

I, Wong Kwan hereby certify that the work embodied in this dissertation project is the result of original research and has not been submitted for a university degree or other similar qualification to any other University or Institution.

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Definitions

The major definitions as follows are adopted in this research.

In China, **Small and Medium-Sized Enterprises (SMEs)** are defined differently with up to 450 and 3,000 employees compared with definition of 99 and 499 employees by Organization for Economic Co-operation and Development (OECD), 1998 (cited in Li & Ogunmokun, 2003). In this research the Chinese definition is adopted.

**Internationalization** is defined as the process by which firms both increase their awareness of the direct and indirect influence of international transaction on their future, and establish and conduct transactions with other countries (Beamish, 1990, p.77).

**Motives** are defined as having a connotation of action - people are seen as being motivated to do something usually to achieve a goal that is satisfaction of the need through behavior (Baker, 2001).
Socialist Market-Oriented Economy is defined as the economy under a socialist system, in which the allocation of resources is basically adjusted through the market mechanism. The market mechanism and socialist system are interacted and correlated (Li, 2004, p.93).
Abbreviations

ADKAR – Awareness, Desire, Knowledge, Ability, Reinforcement

CEE – Central and Eastern Europe

CEO – Chief Executive Officer

CEOs – Chief Executive Officers

COEs – Collection-owned Enterprises

FDI – Foreign Direct Investment

HKSAR – Hong Kong Special Administration Region

INV – International New Venture

IO – Industrial Organization-based Theory

LCAG – The Learned, Christensen, Andrews and Guth Framework

LPEs – Large Private Enterprises

MNCs – Multinational Companies

MSAR – Macau Special Administration Region

NIS – Newly Independent States

NSOEs – Non-state Owned Enterprises

OBE – Ownership-based Entry

OECD – Organization for Economic Co-operation and Development
OEM - Original equipment manufacturing

OLI – Ownership, Location and Internalization

PEs – Private Enterprises

PSMEs – Private Small and Medium-sized Enterprises

RBV – Resource-based View

RMB – Ren Min Bi (Chinese currency)

SAIC- The Shanghai Automotive Industry Corporation

SBU - Strategic Business Units

SCP – Structure-Conduct-Performance

SMEs – Small and Medium-sized Enterprises

SOEs – State-owned Enterprises

TCE – Transaction Cost Entry

TVW - Township and village enterprise

WTO – The World Trade Organization
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Synopsis

Chinese private small and medium-sized enterprises (PSMEs) have become one of the important drivers of the Chinese economy. The purpose of this thesis is to explore the motives for the internationalization of PSMEs in Guangdong China to understand and explain why and how these PSMEs were internationalized to adapt to change in the current political and economic environments after more than 20 years of reform in China especially after China entered the WTO. The literatures concerning transition economies, the history of evolution of Chinese private economy, China’s socialist market-oriented economy, and theories of international business, internationalization and entrepreneurship are reviewed to describe a theoretical framework of the motives for internationalization of SMEs. The literature review lays a foundation for understanding and explaining how the motives for internationalization were created and what influenced the decision-making of the leaders of SMEs in terms of strategy and entry mode in the process of internationalization. Based on this foundation, the research questions were developed and around these questions a qualitative research methodology was adopted. Four interviews with CEOs of the selected companies by judgment sampling were conducted to collect data. The conclusion of the research is based on the findings from the interviews in the context of the extant theories of
The key contribution of this thesis is that through exploring the motives of Guangdong PSMEs to internationalize, it will narrow the identified gaps and will arouse the interest of the academic and business researchers to further study Chinese PSMEs and to build and enrich the theories of internationalization in the context of China. This thesis also attempted to build a practical business model indicating how the motives influenced and reinforced the action of internationalization of Guangdong PSMEs in managing organizational change to adapt to the ever changing business environment under the current political and economic system of China. It is also suggested that the findings of the thesis assist the foreign managers to understand the behavior of the Chinese counterparties in process of internationalization.